DENALI COMMISSION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2013 AND 2012

DENALI COMMISSION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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DENALI COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2013 AND 2012
(In Dollars)

		2013		2012
Assets:				
Intragovernmental				
Fund Balance With Treasury (Note 3)	$	81,957,362	$	88,657,597
Total Intragovernmental		81,957,362		88,657,597
Accounts Receivable, Net (Note 4)		16,978		21,346
Total Assets	$	81,974,340	$	88,678,943
Liabilities:				
Intragovernmental				
Accounts Payable	$	140	$	60,000
Other (Note 6)		2,131,640		26,793
Total Intragovernmental		2,131,780		86,793
Accounts Payable		91,698		100,486
Other (Note 6)		5,153,100		5,518,691
Total Liabilities	$	7,376,578	$	5,705,970
Net Position:				
Unexpended Appropriations - All Other Funds	$	24,533,280	$	32,509,525
Cumulative Results of Operations - Funds from Dedicated Collections		14,915,965		10,711,291
Cumulative Results of Operations - All Other Funds		35,148,517		39,752,157
Total Net Position	$	74,597,762	$	82,972,973
Total Liabilities and Net Position	$	81,974,340	$	88,678,943

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(In Dollars)

		2013		2012
Program Costs:				
Gross Costs (Note 9)	$	27,777,161	$	42,731,658
Less: Earned Revenue		-		-
Net Program Costs	$	27,777,161	$	42,731,658
Net Cost of Operations	$	27,777,161	$	42,731,658

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(In Dollars)

	2013 Funds from Dedicated Collections	2013 All Other Funds	2013 Consolidated Total	2012 Funds from Dedicated Collections	2012 All Other Funds	2012 Consolidated Total
Cumulative Results of Operations:						
Beginning Balances	$ 10,711,291	$ 39,752,157	$ 50,463,448	$ 11,630,396	$ 56,347,657	$ 67,978,053
Budgetary Financing Sources:						
Appropriations Used	-	18,096,669	18,096,669	-	18,246,838	18,246,838
Transfers In/Out Without Reimbursement	6,708,757	2,500,000	9,208,757	6,870,915	-	6,870,915
Other Financing Sources (Non-Exchange):						
Imputed Financing Sources (Note 10)	-	72,769	72,769	-	99,300	99,300
Total Financing Sources	6,708,757	20,669,438	27,378,195	6,870,915	18,346,138	25,217,053
Net Cost of Operations	(2,504,083)	(25,273,078)	(27,777,161)	(7,790,020)	(34,941,638)	(42,731,658)
Net Change	4,204,674	(4,603,640)	(398,966)	(919,105)	(16,595,500)	(17,514,605)
Cumulative Results of Operations	$ 14,915,965	$ 35,148,517	$ 50,064,482	$ 10,711,291	$ 39,752,157	$ 50,463,448
Unexpended Appropriations:						
Beginning Balances	$ -	$ 32,509,525	$ 32,509,525	$ -	$ 35,082,107	$ 35,082,107
Budgetary Financing Sources:						
Appropriations Received	-	10,679,000	10,679,000	-	10,679,000	10,679,000
Appropriations Transferred In/Out	-	-	-	-	5,000,000	5,000,000
Other Adjustments	-	(558,576)	(558,576)	-	(4,744)	(4,744)
Appropriations Used	-	(18,096,669)	(18,096,669)	-	(18,246,838)	(18,246,838)
Total Budgetary Financing Sources	-	(7,976,245)	(7,976,245)	-	(2,572,582)	(2,572,582)
Total Unexpended Appropriations	$ -	$ 24,533,280	$ 24,533,280	$ -	$ 32,509,525	$ 32,509,525
Net Position	$ 14,915,965	$ 59,681,797	$ 74,597,762	$ 10,711,291	$ 72,261,682	$ 82,972,973

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(In Dollars)

		2013		2012
Budgetary Resources:				
Unobligated Balance Brought Forward, October 1	$	976,123	$	981,238
Recoveries of Prior Year Unpaid Obligations		6,177,823		5,106,982
Other changes in unobligated balance		-		(4,744)
Unobligated balance from prior year budget authority, net		7,153,946		6,083,476
Appropriations		16,491,678		22,549,915
Spending authority from offsetting collections		4,549,864		-
Total Budgetary Resources	$	28,195,488	$	28,633,391
Status of Budgetary Resources:				
Obligations Incurred	$	27,188,057	$	27,657,268
Unobligated balance, end of year:				
Apportioned		946,855		953,622
Unapportioned		60,576		22,501
Total unobligated balance, end of year		1,007,431		976,123
Total Budgetary Resources	$	28,195,488	$	28,633,391
Change in Obligated Balance				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$	85,601,603	$	107,572,252
Obligations Incurred (Note 12)		27,188,057		27,657,268
Outlays (gross)		(27,066,808)		(44,520,935)
Recoveries of Prior Year Unpaid		(6,177,823)		(5,106,982)
Unpaid obligations, end of year		79,545,027		85,601,603
Memorandum entries:				
Obligated balance, start of year	$	85,601,603	$	107,572,252
Obligated balance, end of year	$	79,545,027	$	85,601,603
Budget Authority and Outlays, Net:				
Budget authority, gross	$	21,041,542	$	22,549,915
Actual offsetting collections		(4,549,864)		-
Budget Authority, net	$	16,491,678	$	22,549,915
Outlays, gross	$	27,066,808	$	44,520,935
Actual offsetting collections		(4,549,864)		-
Agency outlays, net	$	22,516,944	$	44,520,935

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Denali Commission was established under the Denali Commission Act of 1998 (P.L. 105-277, Division C, Title III), as amended and 42 U.S.C. Chapter 38, Sec. 3121. The Commission, a “designated” federal entity as published by the Office of Management and Budget under the Inspector General Act of 1978, functions as a unique federal-state-local partnership to address crucial needs of rural Alaskan communities, particularly isolated Native villages and other communities lacking access to the national highway system, affordable power, adequate health facilities and other impediments to economic self-sufficiency. The Denali Commission reporting entity is comprised of Trust Funds, General Funds, and General Miscellaneous Receipts.

The Denali Commission is a party to allocation transfers with other federal agencies as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. The Denali Commission receives allocation transfers, as the child, from the Federal Highway Administration under the Department of Transportation.

Trust Funds are credited with receipts that are generated by terms of a trust agreement or statute. At the point of collection, our receipts are unavailable until appropriated by the U.S. Congress. The Trust Fund included in our financial statements includes the Trans-Alaska Pipeline Liability Fund (TAPL), which is managed by the U.S. Treasury Bureau of the Public Debt, and assists the efforts to make bulk fuel tanks in Alaska EPA code-compliant.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. Denali Commission manages two General Fund accounts.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the Denali Commission. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency’s operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follow the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the Denali Commission in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and the Denali Commission accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the Denali Commission's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the Denali Commission's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The Denali Commission does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

E. Accounts Receivable

Accounts receivable consists of amounts owed to the Denali Commission by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

F. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

G. Liabilities

Liabilities represent the amount of funds likely to be paid by the Denali Commission as a result of transactions or events that have already occurred.

The Denali Commission reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities With the Public represents funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, actuarial FECA, and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees.

H. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used.

I. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the Denali Commission employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the Denali Commission terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

J. Other Post-Employment Benefits

The Denali Commission employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The Office of Personnel Management (OPM) has provided the Denali Commission with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The Denali Commission recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the Denali Commission through the recognition of an imputed financing source.

K. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

L. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The Denali Commission recognized imputed costs and financing sources in fiscal years 2013 and 2012 to the extent directed by accounting standards.

NOTE 2. NON-ENTITY ASSETS

The Denali Commission Act of 1998 states that one of the purposes of the Commission is to deliver the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs. In the spirit of this legislation, the Commission has offered a service to other federal agencies whereby a federal agency may utilize the Commission to make payments to non-federal organizations in Alaska on the agency's behalf. No fee is collected for this service. Amounts received from the State of Alaska, but not disbursed, are recorded on the Balance Sheet in the Fund Balance with Treasury line and are offset by a liability on the Other Liabilities line. This balance is $1,067,400 and $2,079,872 as of September 30, 2013 and September 30, 2012, respectively.

NOTE 3. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2013 and 2012, were as follows:

	2013	2012
Fund Balances:		
Trust Funds	$ 15,189,913	$ 10,932,485
Appropriated Funds	65,700,049	75,645,240
Other Fund Types	1,067,400	2,079,872
Total	$ 81,957,362	$ 88,657,597
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 946,855	$ 953,622
Unavailable	60,576	22,500
Obligated Balance Not Yet Disbursed	79,545,027	85,601,603
Temporary Sequestration-TAPL	337,504	-
Non-Budgetary FBWT	1,067,400	2,079,872
Total	$ 81,957,362	$ 88,657,597

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2013 and 2012, were as follows:

		2013		2012
With the Public				
Accounts Receivable	$	16,978	$	21,346
Total Public Accounts Receivable	$	16,978	$	21,346
Total Accounts Receivable	$	16,978	$	21,346

The accounts receivable is primarily made up of grant monies that are expected to be returned to the Commission.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2013 and 2012.

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the Commission as of September 30, 2013 and 2012, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

		2013		2012
Intragovernmental – FECA	$	1,355	$	1,355
Unfunded Leave		51,391		84,276
Deferred Lease Liabilities		(262)		-
Total Liabilities Not Covered by Budgetary Resources	$	52,484	$	85,631
Total Liabilities Covered by Budgetary Resources		7,324,094		5,620,339
Total Liabilities	$	7,376,578	$	5,705,970

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2013 were as follows:

	Current		Non Current		Total	
Intragovernmental						
FECA Liability	$	-	$	1,355	$	1,355
Payroll Taxes Payable		7,088		-		7,088
Other Accrued Liabilities		2,122,197				2,122,197
Total Intragovernmental Other Liabilities	$	2,129,285	$	1,355	$	2,130,640
With the Public						
Payroll Taxes Payable	$	810	$	-	$	810
Accrued Funded Payroll and Leave		181,895		-		181,895
Unfunded Leave		51,390		-		51,390
Other Accrued Liabilities Grants		3,856,290		-		3,856,290
Deposit Fund Liability (State of Alaska)		1,012,715		50,000		1,062,715
Total Public Other Liabilities	$	5,103,100	$	50,000	$	5,153,100

Other liabilities account balances as of September 30, 2012 were as follows:

	Current		Non Current		Total	
Intragovernmental						
FECA Liability	$	-	$	1,355	$	1,355
Payroll Taxes Payable		23,563		-		23,563
Other Accrued Liabilities		1,875		-		1,875
Total Intragovernmental Other Liabilities	$	25,438	$	1,355	$	26,793
With the Public						
Payroll Taxes Payable	$	3,090	$	-	$	3,090
Accrued Funded Payroll and Leave		187,289		-		187,289
Unfunded Leave		84,276		-		84,276
Other Accrued Liabilities Grants		3,165,736		-		3,165,736
Deposit Fund Liability (State of Alaska)		1,940,382		137,918		2,078,300
Total Public Other Liabilities	$	5,380,773	$	137,918	$	5,518,691

NOTE 7. LEASES

Operating Leases

Denali Commission occupies office space under a lease agreement that is accounted for as an operating lease. The lease term begins on June 1, 2013 and expires on October 1, 2021. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for fiscal years 2013 and 2012 were $415,796 and $321,289, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Office Space
2013	$ 415,796
2014	384,525
2015	388,203
2016	391,990
2017	395,892
Thereafter	1,695,451
Total Future Payments	$ 3,671,857

NOTE 8. FUNDS FROM DEDICATED COLLECTIONS

The Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 established the annual transfer of interest from the Oil Spill Liability Trust Fund to the Denali Commission. The Coast Guard and the Environmental Protection Agency enlist the assistance of the Commission to help in bringing bulk fuel tanks in Alaska up to environmental and safety standards as set by the two agencies. The Commission accounts for and reports on the use of these funds separately through its annual budget execution reporting.

Schedule of Funds from Dedicated Collections as of September 30, 2013 and 2012.

	2013	2012
Balance Sheet		
ASSETS		
Fund Balance with Treasury	$ 15,189,913	$ 10,932,485
Total Assets	$ 15,189,913	$ 10,932,485
LIABILITIES AND NET POSITION		
Other	$ 273,948	$ 221,194
Cumulative Results of Operations	14,915,965	10,711,291
Total Liabilities and Net Position	$ 15,189,913	$ 10,932,485
Statement of Net Cost		
Program Costs	$ 2,504,083	$ 7,790,020
Less: Earned Revenues	-	-
Net Cost of Operations	$ 2,504,083	$ 7,790,020
Statement of Changes in Net Position		
Net Position Beginning of Period	$ 10,711,291	$ 11,630,396
Net Cost of Operations	(2,504,083)	(7,790,020)
Other Revenue	6,708,757	6,870,915
Change in Net Position	4,204,674	(919,105)
Net Position End of Period	$ 14,915,965	$ 10,711,291

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between Denali Commission and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2013	2012
Intragovernmental Costs	$ 2,440,404	$ 2,257,454
Public Costs	25,336,757	40,474,204
Total Net Cost	$ 27,777,161	$ 42,731,658

NOTE 10. IMPUTED FINANCING SOURCES

The Commission recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees that are attributable to OPM. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2013 and 2012, respectively, imputed financing was as follows:

	2013	2012
Office of Personnel Management	$ 72,769	$ 99,300
Total Imputed Financing Sources	$ 72,769	$ 99,300

NOTE 11. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2013 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2014 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb*/. The 2014 Budget of the United States Government, with the "Actual" column completed for 2012, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2013 and 2012 consisted of the following:

	2013	2012
Direct Obligations, Category A (Admin)	$ 3,453,601	$ 4,325,312
Direct Obligations, Category B (Program)	21,418,239	20,295,704
Reimbursable Obligations, Category B (Program)	2,316,217	3,036,252
Total Obligations Incurred	$ 27,188,057	$ 27,657,268

Category A apportionments distribute budgetary resources by fiscal quarters.

Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2013 and 2012, budgetary resources obligated for undelivered orders amounted to $75,338,073 and $82,060,872, respectively.

NOTE 14. CUSTODIAL ACTIVITY

The Commission custodial collection primarily consists of grant monies returned from cancelled funds. While these collections are considered custodial, they are neither primary to the mission of the Commission nor material to the overall financial statements. The Commission's total custodial collections are $4,824 and $72,353 for the years ended September 30, 2013, and 2012, respectively.

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Commission has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	2013	2012
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 27,188,057	$ 27,657,268
Spending Authority From Offsetting Collections and Recoveries	(10,727,687)	(5,106,982)
Net Obligations	16,460,370	22,550,286
Other Resources		
Imputed Financing From Costs Absorbed By Others	72,769	99,300
Net Other Resources Used to Finance Activities	72,769	99,300
Total Resources Used to Finance Activities	16,533,139	22,649,586
Total Resources Used to Finance the Net Cost of Operations	27,777,161	42,714,614
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	-	17,044
Net Cost of Operations	$ 27,777,161	$ 42,731,658

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Denali Commission

Report on the Financial Statements

We have audited the accompanying balance sheet of the Denali Commission (the Commission) as of September 30, 2013 and 2012 and the related statements of net cost, changes in net position and budgetary resources for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of September 30, 2013 and 2012, and its net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Management has omitted the agency head message, management's discussion and analysis, summary of material weaknesses, non-conformances and corrective action plans, management challenges, summary of financial statement audit and management assurances, improper payments information act report, and other agency statutorily required reports that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board and OMB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated February 14, 2014 on our consideration of the Commission's internal control over financial reporting and over compliance, and on our tests of the Commission's compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope and results of our testing of internal control over financial reporting and compliance and the results of our testing of the Commission's compliance with certain provisions of laws, regulations, contracts, and grant agreements, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance.

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February 14, 2014

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INDEPENDENT PUBLIC ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Denali Commission

We have audited the financial statements of the Denali Commission (the Commission) as of September 30, 2013, and have issued our report thereon dated February 14, 2014. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements.*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting and compliance (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Denali's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Limitation of Internal Control

Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with controls may deteriorate.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We did not test compliance with all laws and regulations applicable to the Commission. We limited our tests of compliance to those provisions of laws and regulations OMB audit guidance requires that we test that we deemed applicable to the financial statements for the fiscal year ended September 30, 2013. We caution that noncompliance may have occurred and may not have been detected by these tests, and that such testing may not be sufficient for other purposes. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB audit guidance.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

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Hunt Valley, Maryland
February 14, 2014